

# Medicare Prescription Drug Coverage

An Introduction for Employers and Unions

INTRODUCING

**Medicare**<sub>Rx</sub>  
Prescription Drug Coverage <sub>Rx</sub>



## Medicare Prescription Drug Coverage is Coming

Approximately 11.4 million people with Medicare get drug coverage through an employer or union plan. Starting on January 1, 2006, these people – in fact, everyone with Medicare – will be eligible for prescription drug coverage through a new Medicare prescription drug plan.

What will the new Medicare prescription drug coverage look like and how will it be delivered? Is financial assistance available for people with limited income and resources? When can eligible people enroll, and will they pay higher premiums if they wait to enroll? What options do employers and unions have for providing drug coverage that works with the new Medicare prescription drug coverage? Where can employers and unions find more information? These and other questions are answered in this brochure.



### A Quick Introduction to Medicare Prescription Drug Coverage

Medicare prescription drug coverage will be offered by private companies. Coverage will be provided through Medicare Prescription Drug Plans (PDPs) and Medicare Health Plans (like Medicare Advantage and other Medicare Health Plans) that include prescription drug coverage (MA-PDs).

All Medicare plans must offer a minimum standard level of prescription drug coverage that include the following:

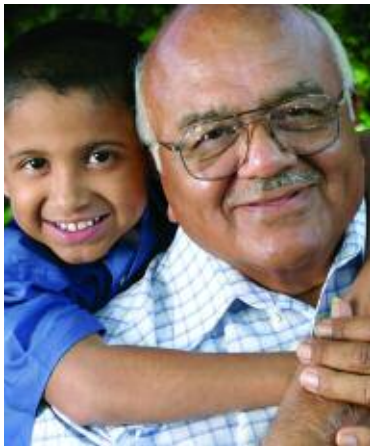
- Monthly premium (varies depending on plan chosen, but estimated at about \$32)
- \$250 deductible
- Plan enrollee pays 25% of yearly drug costs from \$250 to \$2,250 and the plan pays the remaining 75%, then
- Plan enrollee pays 100% of the next \$2,850 in drug costs, then
- Plan enrollee pays 5% of drug costs for the rest of the calendar year after he or she has spent \$3,600 out-of-pocket. The plan pays the remaining 95%.

All plans will cover both brand name and generic drugs. Benefits and costs can vary by plan.



## Extra Help is Available for People with Limited Income and Resources

People with incomes below \$14,355 (single) and \$19,245 (married) and with resources below \$11,500 (single) and \$23,000 (married) may qualify to enroll in a Medicare prescription drug plan and pay little or nothing out of pocket. Employee benefit administrators will need to help people who are



eligible for this extra assistance compare their retiree coverage with the coverage they would get from a Medicare prescription drug plan and make the choice that's right for them.

## People With Employer/Union Drug Coverage Have An Important Decision to Make

Enrollment in Medicare prescription drug plans begins November 15, 2005. People with Medicare will need to decide by May 15, 2006 whether to join a Medicare prescription drug plan. After this initial enrollment period ends, most people will pay a penalty (higher premiums) for their Medicare prescription drug coverage if they go more than 63 days without "creditable coverage" (coverage that pays out, on average, as much or more than standard Medicare prescription drug coverage) from another source (such as an employer or union drug plan).



*Employer and union drug plan sponsors are required to notify all people eligible for Medicare prescription drug coverage - including active workers, retirees and their dependents - whether their current coverage is creditable.*

Plan sponsors can incorporate this creditable coverage notification into other plan communications, but they must make this notification by November 15, 2005.

Medicare will be telling everyone with employer or union drug coverage to check with their benefits administrator before making any decisions about their prescription drug plan. Your employee benefit administrators and other human resources personnel will need to be prepared to respond to questions from your employees and retirees with Medicare about their new choices and options.



# Flexibility in Working With Medicare Prescription Drug Coverage



Medicare is working with employer and union plan sponsors to help them continue to offer their coverage. In this way, retirees can keep their coverage if they so desire. In general, employer and union plan sponsors have the following options:

*Offer coverage that takes the place of Medicare prescription drug coverage.* If you offer coverage that meets applicable standards, you will receive tax-free payments to reimburse a portion of drug costs for retirees who do not enroll in a Medicare prescription drug plan. Perhaps you've heard this referred to as the "retiree drug subsidy."

*Offer coverage through a separate, stand-alone drug plan* that supplements Medicare standard drug coverage.

*Arrange for your retirees to receive customized Medicare prescription drug coverage by:*

- Partnering with one or more Medicare prescription drug plans to provide coverage, including optional enhancements to the standard Medicare prescription drug coverage, designed specifically for your retirees; or
- Contracting with Medicare to become a Medicare prescription drug plan and provide both standard Medicare prescription drug coverage and any enhanced coverage to your retirees.

When employers and unions provide supplemental coverage, or arrange for customized Medicare coverage, they do not receive the tax-free retiree drug subsidy, but they still realize substantial savings since Medicare pays for drug costs that in the past would have been paid by the employer/union drug plan.

Employers and unions also have the option of paying part or all of retiree's Medicare prescription drug premiums.

# The Help and Information You Need

If you want to take advantage of potential savings associated with working with Medicare prescription drug coverage, you must make some basic decisions soon.

Medicare is working with insurers, third-party plan administrators, benefits consultants, and others who typically help plan sponsors operate their drug plans so they can act on plan sponsors' behalf. The process has been simplified as much as possible. Talk to your advisors and vendors about what they can do to help.



For more information about how employer and union drug coverage can work with Medicare prescription drug coverage, visit [www.cms.hhs.gov/medicarereform/pdbma/employer.asp](http://www.cms.hhs.gov/medicarereform/pdbma/employer.asp) to access links to the following:

- The statute, regulations and additional guidance relating to employer/union coverage and Medicare prescription drug coverage
- Educational materials to help you decide what options to consider
- Outreach materials to help you talk about Medicare prescription drug coverage with your employees and retirees
- Frequently asked questions and answers
- How you can subscribe to e-mail notification of new developments



**Medicare**<sub>Rx</sub>  
Prescription Drug Coverage

**Help for Beneficiaries**

**Call 1-800-MEDICARE.**

24 hours a day, 7 days a week.

Or visit [www.medicare.gov](http://www.medicare.gov).

# Medicare Prescription Drug Coverage

An Introduction for Employers and Unions

**Medicare**<sup>Rx</sup>  
Prescription Drug Coverage

Centers for Medicare & Medicaid Services  
7500 Security Boulevard  
Baltimore MD 21244-1850

CMS Pub. No. 11145

